

## **Audit Committee minutes**

### **Monday 7 December 2015**

#### **Members**

Ian Watmore (chair)	Non-Executive Director
Ailsa Beaton	Non-Executive Director
Roger Barlow	Independent Audit Committee member

#### **Attendees:**

##### ICO

Simon Entwisle	Deputy Chief Executive Officer
Heather Dove	Head of Finance

##### Internal Auditors

Phil Keown	Grant Thornton
Will Simpson	Grant Thornton

##### External Auditors

Alison Langridge	BDO
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##### Secretariat

Peter Bloomfield	Senior Corporate Governance Manager
Neil Bostock	Corporate Governance Officer

### **1. Introductions and apologies**

- 1.1. There were apologies from Christopher Graham and Louise Byers at the ICO, from James Edmands at the NAO and from David Eagles at BDO.

## **2. Declaration of interests**

- 2.1. It was noted that Roger Barlow, Heather Dove and Neil Bostock, who were attending this meeting, had all been subject to the data breach which was to be discussed later in the meeting.

## **3. Action points from the Audit Committee meeting of the 7 September 2015**

- 3.1. The minutes of the last meeting had been agreed in correspondence. They were presented here for information.
- 3.2. The only action point outstanding from the last meeting was to agree a deadline for revision of the Framework Agreement with the Department for Culture, Media and Sport (DCMS). The ICO had an amended version with minor changes made ready to go, but there was a need to reflect both DCMS and government spending controls and possible changes to the end of year cash hand back rules.
- 3.3. Discussion on the latter was ongoing and as soon as a form of words for this was agreed the expectation was that the Framework Agreement itself would be finalised fairly quickly. In effect the current rules used for calculating year end cash-back made it difficult to forecast the amount, and was based on cash accounting. The ICO wished to move to an accruals based system.
- 3.4. It was not thought a problem that the ICO was currently working to an out of date Framework Agreement. There would always be a transition period. The provisions of the updated agreement would primarily come into force for the 2016/17 year.

## **4. Deputy Commissioner and Head of Finance Update**

- 4.1. Simon Entwisle provided an update on issues affecting the ICO.
- 4.2. The DCMS had agreed grant in aid payments for freedom of information covering the next three years, and had agreed capital limits which were flexible and met the operational needs of the ICO.
- 4.3. In respect of registration fee income the ICO was working on changes to the fee structure including increasing compliance with payment of the fee, targeting higher fees at those organisations which process more personal data, and was also considering ways of adjusting fee levels to better

match the financial needs of the ICO (a rolling fee structure). Any changes made would also have to reflect the new EU Regulation on data protection when it comes into force.

- 4.4. Simon Entwisle confirmed that Christopher Graham's last day in post as the Information Commissioner would be the 28 June and as such the aim was to lay and launch the ICO Annual Report and Accounts by then if at all possible. The timetable was to be discussed later in the meeting.
- 4.5. Operationally the ICO had seen more freedom of information cases cleared in November. There had been concerns that clearances had failed to keep up with numbers of new cases being received.
- 4.6. The new Senior Management Team (SMT), which had been set up following the recent departure of the two Deputy Commissioners, was considered to be working well. Agendas were full and SMT presented an opportunity to ensure that governance issues were covered properly. For example the Finance Steering Group reported monthly to SMT which meant that a wider group of managers were involved in, and made aware of, financial decisions.
- 4.7. Heather Dove reported that the purchase management system was up and running. It provided more control on purchasing decisions but it did represent a change in the way the ICO worked. The need for more training and (possibly) for information sessions had been identified.
- 4.8. Heather Dove also reported on the recruitment of a Management Accountant who was starting on 5 January to support the Head of Finance. In addition an interim Head of Finance was currently being recruited to work three days a week to cover for maternity leave. It was hoped both positions would be filled by January to allow Heather a hand over period of at least a month before the start of her leave.
- 4.9. The October accounts were presented for information. The general financial position was as forecast and the slight drop in registration fee income (1%) was not thought significant.
- 4.10. Discussions with DCMS on financial reporting were going well; in particular in respect of capital budgets as mentioned above. Capital expenditure would be notionally classified as data protection so the ICO would have the ability to decide on the capital/revenue split. DCMS have asked for a 5 year forecast. The direction of the ICO's IT strategy, in reducing the need for capital expenditure, was noted, and the ICO would have to consider carefully its capital forecasting.

- 4.11. It was also reported that the budget for 2016/17 was almost finalised and would go to DCMS before Christmas along with the draft ICO Plan 2016-2019. The ICO was forecasting a surplus for 2016/17.

## **5. Risk Management**

- 5.1. Peter Bloomfield introduced an updated risk register which reflected recent changes, such as the move to the DCMS. Given this move and various other decisions which had now been made, there was a need for a more fundamental update to the risk register. This would be taken forward shortly.
- 5.2. The Committee noted that how the ICO dealt with nuisance telephone calls needed to be considered a risk area. Simon Entwisle provided an update on recent initiatives aimed at tackling nuisance telephone calls.
- 5.3. The delay in publication of the triennial review was also discussed. Notwithstanding this delay, the recruitment exercise for the next Commissioner had begun. The ICO did need to consider the possibility of a delay in the next Commissioner taking up their post.

## **6. Outstanding Audit Recommendations**

- 6.1. Delayed actions on audit recommendations, both internal and external, were highlighted. Work on confirming IT assets might be delayed but the intention was for the new Management Accountant to take this action forward once they were in place.

## **7. Internal audit**

- 7.1. Grant Thornton presented two audit reports; one on ICO performance management and the other on the new finance system and benefits realisation.
- 7.2. They had identified three amber recommendations relating to managers' guidance, Learning and Development records on discussions that take place, and on information for SMT on the effectiveness of the process.
- 7.3. The performance development review (PDR) process had recently been simplified and was aimed at identifying those who were not performing. It was based on three questions for the member of staff:

- 7.3.1. How am I doing?
- 7.3.2. What can we do to improve? and
- 7.3.3. What more can I do to develop?
- 7.4. The background behind the change to the PDR process was explained. Given the ongoing 1% pay cap and the consequent difficulty in providing meaningful performance pay, the focus was now on identifying and acting on poor performance rather than identifying good performance. Good performance was being recognised more now by managers and the promotion opportunities that were available at certain levels within the ICO.
- 7.5. The Committee welcomed the changes to the PDR process but expressed a more general concern about whether the resources and skills available in the ICO were adequate to manage this sort of change and other people issues. Simon Entwisle advised that there had been some recent changes in the Organisational Development Team and that a People Strategy was being developed.
- Action point 1: Simon Entwisle to advise non-executive Directors on the People Strategy when it was finalised.**
- 7.6. In respect of the new finance system this review had looked at whether the project had delivered the benefits identified. An overall green assessment had been given; the system was delivering the benefits. However, there had been no formal Project Initiation Document agreed so project deliverables did not fully align with the final identified benefits. This was reflected in the one medium recommendation made.
- 7.7. Finally Grant Thornton provided a summary report on progress against the internal audit plan. Most of the reviews had been completed. The review of core financial controls would be discussed with the Head of Finance after the meeting and the follow up review would be taken forward with Corporate Governance. In respect of planning audits for next year, representatives from Grant Thornton would meet with SMT to discuss internal audit and the areas managers wanted to focus on, using the audit areas identified last year but put off as possible audits for 2016/17 as a starter.

## **8. External Audit**

- 8.1. BDO introduced the audit planning report. They had already met with Heather Dove and Peter Bloomfield and

agreed the timetable which included an early January visit whilst Heather was still at the ICO.

- 8.2. In respect of the audit timetable this linked with discussion on the timetable for development of the Annual Report and Accounts. It was not possible for the Audit Committee meeting scheduled for early June (at which the Annual Report and Accounts would be signed off) to be moved forward as there had to be time to prepare and audit the accounts. This did mean the schedule for designing, printing and laying the document would be tight.
- 8.3. Actions to mitigate against the risks were discussed. A template had already been developed, and those involved (designers, printers and those providing information) would be approached early to ensure a full understanding of the timescales and what was required.
- 8.4. One area which historically had been problematic was pension information needed for remuneration reports. This would be focused on.
- 8.5. Unfortunately Ailsa Beaton was unable to attend the June meeting and it was agreed that an opportunity should be provided for Ailsa to input at an earlier stage, on the 2 June.

**Action point 2: Peter Bloomfield to re-visit the plan for developing the Annual Report and Accounts, building in the early discussion with Ailsa Beaton and contacts with those involved.**

- 8.6. Finally there was discussion on the NAO/BDO audit fee. Last year the fee had been increased by £2.5k because of the additional work identified at the time due to the move to the new finance system in particular. This had been described as a one off increase, but the proposed fee for this year also included a £2.5k increase arising from further risks identified. The Committee accept the increase for this year given the changes. But it still had concerns about the level of charges compared to commercial audit firms and flagged that the Committee would like to re-visit fees next year.

## **9. Annual Report and Accounts**

- 9.1. It was confirmed that this agenda item had been covered by agenda item eight.

## **10. Fraud, whistleblowing and security incidents**

- 10.1. The Committee discussed the recent data breach involving ICO payroll information. Access to ICO records had been provided to a HR professional in another organisation who had immediately realised they should not have had access. Twenty eight employees had been affected and had been advised by letter personally about the breach and the extent of the breach.
- 10.2. Simon Entwisle confirmed that it had handled the issue as it would have done if it had happened to an external body. It had been investigated by the internal compliance team and Enforcement Team. The ICO understood how the issue had occurred and were satisfied with the steps the payroll provider was taking in consequence.
- 10.3. The Committee asked whether those affected had been reassured by the steps the ICO had taken. Simon Entwisle thought they had; there had been one question from a member of staff. And feedback from those attending the Committee was that they too had been reassured.
- 10.4. The Committee asked whether, if bank details had been made available, the ICO would have allowed staff to make credit checks. Simon stated that this would be considered depending on the circumstances.

## **11. Any other urgent business**

- 11.1. It was asked whether the ICO would be look at offsetting recovery costs against Civil Monetary Penalties (CMPs) again now sponsorship responsibility had moved to DCMS. This was being looked at.

**Action point 3: Heather Dove to report back to the next Audit Committee on progress in looking at recovering costs from CMPs in respect of breaches under the PECR and whether this could influence decisions on the overall CMP recovery policy.**